
A BILL FOR AN ACT

RELATING TO HEALTH.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 PART I

2 SECTION 1. Hawaii's health care system consists of a
3 myriad of services that must be coordinated and integrated to
4 ensure access to quality care at the appropriate level for all
5 of Hawaii's residents. An individual often accesses different
6 health care providers delivering different products and
7 services, and may transition from one level of health care to
8 another over time. It is important to effectively manage
9 patient transition to facilities providing the appropriate level
10 of care to maintain the availability of services at all levels,
11 more accurately address patient needs, and ensure efficient and
12 cost effective service delivery.

13 Patient transition is particularly difficult from acute
14 care hospitals to long-term care facilities. Often, patients no
15 longer needing hospitalization, but still requiring medical
16 services, are waitlisted for long-term care facilities due to a
17 shortage of available space in long-term care facilities. The
18 unfortunate consequence is a shortage of available space and



1 service delivery at acute care hospitals. Additionally, acute
2 care hospitals are facing a financial crisis due to the manner
3 in which medicaid reimbursements are allocated.

4 When a medicaid patient is treated by an acute care
5 hospital, medicaid pays a rate based upon the level of care
6 needed by the patient. When the patient is well enough to be
7 transferred to long-term care, the medicaid reimbursement is
8 reduced to a rate that is twenty to thirty per cent of the
9 actual cost of acute care hospitalization. If the hospital is
10 not able to transfer the patient to long-term care, it must
11 absorb the financial loss. This creates an unnecessary fiscal
12 burden on acute care hospitals as its cost of care is generally
13 more fixed due to stringent regulatory and quality-control
14 requirements.

15 At any particular time, a total of about two hundred
16 patients in Hawaii's hospitals are waiting to be transferred to
17 long-term care. Patients with certain conditions have been
18 waitlisted for up to a year. The total loss to hospitals was
19 estimated at \$72,500,000 in 2008.

20 A significant portion of that hospital's financial loss is
21 due to underpayment by medicaid and its contracted health plans.
22 Medicaid is, in effect, a public-private partnership: the



1 public sector provides the funding and the private sector
2 provides the services. Unfortunately, medicaid reimbursements
3 seldom cover the actual cost of provided services, resulting in
4 fiscally weakened health care facilities and instability in the
5 health care system as a whole.

6 In the past, acute care hospitals were able to absorb
7 medicaid losses using payments from commercial and other payers
8 to offset under-funded medicaid reimbursements. But as the cost
9 of health care has increased, and significant developments in
10 medical technology have required acute care hospitals to
11 increase capital investments, even these payments are no longer
12 enough to bridge the fiscal gap. The result for many of these
13 hospitals is financial failure. For example, without annexation
14 by the Hawaii health systems corporation, which is subsidized by
15 the State, Kahuku hospital would have ceased operations due to
16 bankruptcy. Underpayment by medicaid was cited as one of the
17 major reasons for Kahuku hospital's financial difficulties.

18 Long-term care facilities are also facing financial
19 hardship as a result of inappropriate medical reimbursements.
20 Payments for patients with complex medical conditions requiring
21 additional care should be cost-based rather than acuity-based to



1 address the disparities in the cost of services and service
2 delivery.

3 The purpose of this Act is to provide fair compensation to
4 acute care hospitals for the service provided to medicaid
5 patients who have been treated for acute illnesses and injuries
6 but have recovered sufficiently so that they could be
7 transferred to long-term care if long-term care was available.
8 In addition, this Act provides fair compensation to long-term
9 care facilities for patients with medically complex conditions
10 when their level of care changes from acute to long-term care.

11 SECTION 2. Chapter 346, Hawaii Revised Statutes, is
12 amended by adding a new section to be appropriately designated
13 and to read as follows:

14 "§346- Medicaid reimbursements; waitlist; medically
15 complex conditions. (a) Reimbursements by medicaid and its
16 contracted health plans to hospitals for patients who:

17 (1) Occupy acute care licensed beds; and
18 (2) Are on a waitlist for a long-term care facility,
19 shall be at least equal to the rate paid for acute
20 care services.

21 (b) Reimbursements by medicaid and its contracted health
22 plans to facilities with long-term care beds for patients with



1 medically complex conditions who, prior to admission to the
2 facility were receiving acute care services in an acute care
3 hospital, shall be at least equal to the rate paid for subacute
4 care services.

5 (c) As used in this section:

6 "Medically complex condition" means a combination of
7 chronic physical conditions, illnesses, or other medically
8 related factors that significantly impact an individual's health
9 and manner of living and cause reliance upon technological,
10 pharmacological, and other therapeutic interventions to sustain
11 life.

12 "Subacute care" means a level of care that is less than
13 acute care, but involves more intensive skilled nursing care
14 than is generally provided in a skilled nursing facility."

15 SECTION 3. Section 346D-1.5, Hawaii Revised Statutes, is
16 amended to read as follows:

17 **"§346D-1.5 Medicaid reimbursement equity.** Not later than
18 July 1, 2008, there shall be no distinction between hospital-
19 based and nonhospital-based reimbursement rates for
20 institutionalized long-term care under medicaid. Reimbursement
21 for institutionalized intermediate care facilities and
22 institutionalized skilled nursing facilities shall be based



1 solely on the level of care rather than the location. This
2 section shall not apply to critical access hospitals[?] or to
3 reimbursements made in accordance with section 346- ."

4 SECTION 4. There is appropriated out of the general
5 revenues of the State of Hawaii the sum of \$ or so
6 much thereof as may be necessary for fiscal year 2011-2012 for
7 increased medicaid reimbursements in accordance with this Act.

8 The sum appropriated shall be expended by the department of
9 human services for the purposes of this Act.

10 PART II

11 SECTION 5. Chapter 346, Hawaii Revised Statutes, is
12 amended by adding a new section to be appropriately designated
13 and to read as follows:

14 "§346- Medicaid funds; patient transition. Barriers
15 or mechanisms shall be eliminated that prevent or restrict the
16 flexible use of medicaid funds to enable reimbursements by
17 medicaid and its contracted health plans to follow patients
18 transitioning out of acute care to community-based care or
19 private institutions."

20



1 PART III

2 SECTION 6. Statutory material to be repealed is bracketed
3 and stricken. New statutory material is underscored.

4 SECTION 7. This Act shall take effect on July 1, 2050.



Report Title:

Health; Medicaid Reimbursements; Appropriation;

Description:

Requires rates for medicaid reimbursements to hospitals keeping patients in beds to be equal to rates for similarly related services. Appropriates funds for increased medicaid reimbursements. Enables medicaid reimbursements to follow patients transitioning out of acute care to community-based care or private institutions. Effective July 1, 2050. (SB787 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

